

DISCUSSION PAPER #4

**IMPACTS OF A CHANGE IN
THE METHOD OF PAYMENT
FOR THE AGRI-FOOD ADVISORY COUNCIL**

APRIL, 1990

**Manitoba
Agriculture**



DISCUSSION PAPER #4:
A SUMMARY OF THE
IMPACTS OF A CHANGE IN
THE METHOD OF PAYMENT

PREPARED FOR THE MANITOBA
AGRI-FOOD ADVISORY COUNCIL

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1.0 INTRODUCTION

The study of the impacts of a change in the method of payment of the Crow benefit to a pay the producer approach has involved analysis of many industry sectors and factors. Many of these impacts respond interactively to changes in other sectors. This creates a dynamic situation that necessitates a summary of the key relationships that have been described in the previous discussion papers.

It is assumed that the reader is familiar with the three discussion papers that have been publicly distributed. For this reason, this document does not summarize all findings of the previous studies but rather highlights key conclusions and findings. This summary presents information in a manner that assists farmers in making informed decisions on the impact on the farm economy of a change in the method of payment.

2.0 PURPOSE OF THE STUDY

The general purpose of the study was to research and provide information on the impacts of a change in the method of payment to a pay the producer approach, and analyze the impacts of a change in the pooling system used by the Canadian Wheat Board (CWB). The focus of the reporting was to provide information regarding the impacts, both direct and indirect, and to provide a rationale for the indirect impact on other sectors such that a thorough understanding of all the impacts could be identified. This information will be used to assist in the decision making process. However, it was not the intent of this research to reach a conclusion or provide a specific recommendation.

3.0 OVERVIEW OF PREVIOUS DISCUSSION PAPERS

The decision to change the method of payment of the \$720 million Crow benefit or retain the status quo will affect all farmers in Manitoba, including livestock producers. Therefore, all farmers and agri-food related businesses should become involved in the decision making process. A series of progressive impacts will result from the impact of a change in the method of payment, including changes to the transportation system. However, it should be noted that the export oriented transportation and handling system must be maintained. Canada has an excellent reputation as a reliable exporter of high quality grain. This reputation must be safeguarded.

3.1 Current Western Grain Transportation Act Legislation

The research shows that under the existing legislation, the combined effect of cost increases (5% per year compounded) and increased grain volumes could increase the producer's share of Western Grain Transportation Act (WGTA) rates to \$29.08/tonne by the year 2000, up from the present average of \$9.00/tonne. This would be a 323 percent increase in the existing rate. Farmers also pay all volume-related increases in cost. Therefore, producers must recognize that under the present system, they pay all cost increases in the grain transportation system. Thus, whether a pay the producer approach is implemented or the status quo is retained, the real costs of grain transportation will be increasingly borne by producers and will become more apparent.

However, it should be noted that a clause in the Western Grain Transportation Act prevents rail freight costs from exceeding 10 percent of the export value of grains shipped to export. This feature could protect farmers from excessive cost increases in the future. This feature could be lost by a change in the method of payment.

3.2 International Trade

Ongoing GATT negotiations have identified that some countries perceive the WGTA to be an export subsidy. Proposals by the U.S. for comprehensive long term agricultural reform may have adverse implications for the WGTA. The GATT negotiations hold potential to create pressures for a new approach to dealing with the Crow benefit. The payment of a Crow benefit to producers might not be countervailable if structured appropriately. However, some of the possible alternative payment mechanisms could become trade issues.

3.3 Example of Pay the Producer

A simplified example of what a farmer would see with a possible change to pay the producer is shown below:

	<u>Pay the Railway (Existing)</u> (\$/tonne)	<u>Pay The Producer</u> (\$/tonne)
Export grain price	\$100.00	\$100.00
Freight Costs	21.00	21.00
Crow benefit (To R.R.)	14.70	
Producer Freight	6.30	
Grain price	93.70	79.00
Crow benefit (to producers)	0	14.70
Net to Producer	<u>\$ 93.70</u>	<u>\$ 93.70</u>

As seen in this simplistic example, the Crow benefit payment exactly offsets the increased freight charges and the farmer has the same amount of money in his pocket either way. However, it is quite possible that if a pay the producer approach were introduced, the payment might not exactly match freight increases for each farmer, even if on average for all farmers it exactly matched the increased freight rates. There will be regional, sectoral, and

individual differences in the level of payment relative to freight increases due to a change in the method of payment, creating a shortage or surplus in the payment to individuals.

3.4 Production Shifts

Prior research indicates that production shifts in the grains sector will be relatively modest. A more significant shift would likely occur as a result of the lower priced feedgrains in Manitoba. As feedgrain prices fall, livestock production, which uses these commodities as an input, can be expected to expand. Compared to the inter-crop production shifts, this change in livestock output would be more significant, but would occur more slowly, over a longer time period. Increases in Manitoba cattle and hog production of 25 percent and 28 percent respectively could result from a change to pay the producer.

A more substantial impact of such a change in the method of payment would occur if interprovincial distortions in livestock feeding caused by transportation related provincial subsidies (e.g. Alberta's Crow Benefit Offset Program) were removed. The research conducted indicates that the feeding of cattle in Manitoba could nearly double, followed by associated increases in processing related jobs and economic benefits, if an inter-provincial "level playing field" existed between Manitoba, Alberta and Saskatchewan.

This increase in livestock production does depend upon Alberta's subsidy levels. While the Alberta Crow Benefit Offset Program would cease, Manitoba would have to ensure that other new subsidy programs were not introduced to replace existing livestock subsidies. If they were, the livestock production in western Canada would continue to be distorted and the full extent of the livestock response might not occur in Manitoba.

3.4.1 Livestock Production Response

Currently, western Canadian livestock production represents only 0.93 percent of North American cattle production and only 2.2 percent of North American hog production. If Manitoba's projected livestock increase is spread over five years, it would mean an increase in cattle and hogs of 5 to 6 percent per year. This would result in an increase in western Canada's share of the North American livestock market of 1.2 percent and 2.8 percent for cattle and hogs respectively. This change is only one quarter of one percent of production for cattle and six tenths of one percent for hogs, spread over a five year period. This is much less than annual fluctuations in production. The projected increase in Manitoba livestock production is expected to be largely absorbed by the North American market and would likely have a negligible effect on prices.

3.4.2 Inter-Provincial Subsidy Wars

While the analysis conducted in these studies assumes that the implementation of a pay the producer approach would cause the three provincial prairie governments to eliminate their feedgrain subsidy programs, it is possible that Alberta, even though it has stated that it would do so, may not accept a situation where Manitoba has a competitive advantage for feeding livestock. Alberta might then, with some direct or indirect subsidy, assist feeders of livestock and provide an incentive which would potentially harm Manitoba. Alberta has established a new infrastructure for livestock processing in their province as a result of various subsidy programs. This has had a very adverse consequence on Manitoba's employment and processing activities.

These significant damages to Manitoba can be avoided in the future if a level playing field exists where provincial subsidies do not distort the comparative advantages which naturally exist.

3.5 Market Responses

A key result of the research is the development of a relationship between changes in transportation costs and the amount by which farmgate grain prices may decline. Many previous studies have simplistically assumed a one to one relationship. However, this would not appear to be so. For some crops, the market reaction will, through several stages of direct and indirect responses, offset or "absorb" a portion of the freight rate increase. For example, it is estimated that farmgate prices for barley will decrease by approximately 50 percent of the increase that producers would pay in freight rates, while for wheat, the price decrease would be equal to the increase in the freight. This "market absorption" response varies dramatically by crop, and creates significant impacts.

3.6 Processing Sector

Livestock slaughter/processing and the oilseed crushing sectors would see the most significant impacts in the Manitoba processing sector. With potentially significant increases in livestock feeding, the livestock slaughtering and processing sector would be in a position to rebound, as increased supply would be available. The canola crushers would also benefit significantly due to lower costs for seed, which would increase their crushing margins. While industry presently faces a number of challenges, improved crush margins would improve the outlook.

3.7 Transportation and Handling

3.7.1 WGTA and Regulatory Change

WGTA rates are distance-related, rather than cost-related. The WGTA rate structure would not be fully compatible with a pay the producer approach because under existing WGTA rates, the farmers on main lines would be required to pay rates substantially higher than the railway's cost and the railway would be unable to compete with trucks on an equal basis. Under WGTA rates, trucking direct to Thunder Bay and avoiding primary elevation costs could potentially be cheaper than combined rail and elevator costs. Obviously, it is unrealistic for large volumes to move to terminals at Thunder Bay by truck. However, regulatory change would be required to avoid having inefficiencies occur due to inappropriate economic incentives. Thus, farmers, railway companies, and others would press for changes from a WGTA rate structure to perhaps a commercial rate system.

Under a commercial rate system, where freight rates would be based on line specific costs rather than averages, it is expected that farmers would find a number of branch lines and related elevator points in Manitoba to be economically unattractive. The farmer would decide to minimize costs by shifting to lower cost and higher service points. If rail freight rates charged to producers increased to reflect real costs, farmers located on many branch lines would find trucking to be a more economic alternative. It follows that, if the truck and rail industries were expected to compete on price and service, the only way the railways would be able to do so, is if they were allowed to decrease rates on high volume lines. Trucks would replace uneconomical rail lines for shorter distances to haul to lower cost rail lines. Each farmer would decide the method of transportation and handling that would be used to minimize costs.

3.7.2 Elevator Rationalization

The grain transportation and handling system has undergone dramatic change over the past 10 to 15 years and change will continue to occur. Over 50 percent of grain elevators in western Canada have been closed during this period. Of the 1,700 remaining elevators, 20 percent handle nearly half the export grain. It is expected that the introduction of a pay the producer system could speed the rationalization of elevators, especially if regulatory changes occurred to move to commercial rail rates.

An analysis of the breakeven volumes for a modern country elevator indicate that approximately a 20 percent reduction in tariffs could occur if the elevator system were able to handle higher volumes of grain through each point by encouraging less seasonal deliveries and making a variety of other changes. It is expected that under a commercial rate system, both this approach by the elevator companies and a reduction in the rail freight rates would be required in order to provide a competitively priced system relative to that offered by commercial trucking in central and eastern Manitoba. Producers could benefit through this potential 20 percent reduction in handling charges and through the variable commercial rates.

For the rail and elevator systems to compete with trucking, a number of regulatory revisions would be required. The extent of regulatory changes that could occur is a fundamental question to be addressed. This regulatory change would create many opportunities and many challenges.

3.7.3 Transition Period for Any Change

The extensive changes which would result from a change in the method of payment could not occur suddenly without major disruption and inefficiencies. A period of detailed planning would be required for farmers, elevators, transportation, processing and other businesses. A transition period would be required to allow any change to occur in an orderly manner. Further analysis is also needed to determine the increased cost to the road system as a result of a change in the method of payment.

3.8 Rural Communities

The impact of the potential changes on rural communities was presented in *Discussion Paper #3*. While conclusive results are difficult to obtain in this subject area, it was noted that in communities which have had rail lines abandoned or elevators eliminated, the actual adverse impacts were, in most cases, less than expected. Also, while a community depends on its natural advantages in terms of location, and resources, a fundamental and critical factor for the survival of any community relates strongly to the desire and attitude of the people to work towards economic development and social betterment.

3.9 Payment Mechanism

There are many alternative mechanisms for pay the producer methods of payment. Of the eleven characteristics identified which would form pay the producer alternatives, the key ones warranting comment are as follows:

- Annuity vs. bond vs. program payment
- Dilution compensation
- Delivery mechanism
- Base period for calculation of payment
- Basis for calculation of payment

Discussion Paper #2 dealt with the characteristics and impacts of the payment of the Crow benefit to the producer. This is different from the other studies which dealt almost exclusively with the impacts of the increased freight rate the producer would face.

It was noted that a change to a pay the producer method of payment would create a new type of incentive system. For the first time, farmers would be paying the full cost of transportation and would, therefore, apply their management skill to reduce transportation costs and maximize their profits. Thus, the sources of change would no longer be regulatory agencies, railroads, or political organizations but would rather become the large number of farmers, each motivated to create further changes in order to reduce their transportation costs. It is expected from these incentives that pressures would occur for many further changes in the regulatory and institutional structures which determine the tariffs and charges for grain handling and transportation.

There will be impacts from two sources. One source is the payment producers will receive. The other source of impacts will be from the increased freight rates which the farmers would then have to pay. Depending on the characteristics of the payment mechanism, the Crow benefit that the farmer receives and the additional freight that the farmer pays may be largely independent and unassociated, or they could combine under some payment mechanisms to exert forces for change.

3.9.1 Dilution Effect

The dilution effect can be quite significant, depending entirely upon which alternative basis for calculation of the payment is selected. To illustrate the possible extent of the dilution effect, it has been assumed the total federal government payment is fixed at \$720 million and the following three alternative bases for calculation of the payment have been selected:

(i) Payment based on grain shipments eligible under WGTA.

The average volume of Manitoba grain on which WGTA payments have occurred is 6.182 million tonnes for the 1984/85 - 1988/89 period.¹ This represents the amount of grain actually exported out of Manitoba. This would be the base on which payments would occur. In Manitoba, a typical increase in the freight rate charged to a producer with a change to a pay the producer method of payment could be approximately \$17.60 per tonne. For illustrative purposes it is assumed the payment would also be this amount of \$17.60 per tonne.

(ii) Payment based on production of major grains.

The base under this alternative, using the five year average for 1984 to 1988, would expand from 6.182 to 7.48 million tonnes², up by 21% compared to shipments eligible for WGTA. Thus, to maintain the same payment per unit, the total amount of the Crow benefit payments would have to grow 21% compared to the first alternative presented above. If the total Crow benefit payment of \$720 million is fixed, the

¹ Source: National Transportation Agency.

² Source: National Transportation Agency.

payment per tonne would fall from the \$17.60 shown in alternative (i) above, to a level of \$14.55 per tonne. This lower payment per tonne would be paid on the larger volume, to still pay out \$720 million. Assuming a weighted average yield for all crops of 0.7 tonnes per acre, the \$14.55 per tonne would amount to \$10.19 per acre.

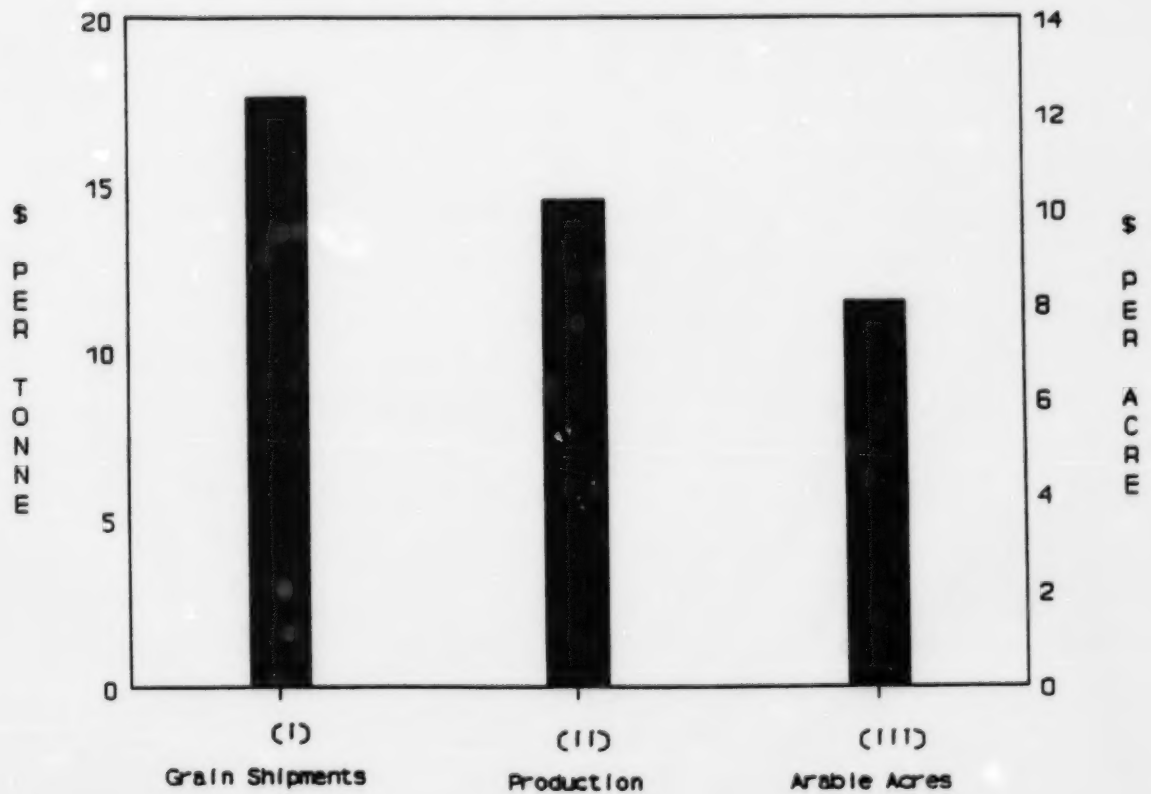
(iii) Payment based on arable acres.

In 1987 in Manitoba approximately 13.347 million acres were classified as improved or arable acres.³ This is 27% larger than the 10.515 million acres which were utilized for grain crops or fallow under the alternative (ii) above. If the total Crow benefit payment of \$720 million were fixed, then the payment would fall to \$8.02 per acre from the \$10.19 per acre in alternative (ii) above. Thus, the dilution effect could reduce payments, as shown in this illustration, by up to 35 percent.

A fundamental question regarding any possible pay the producer approach would be whether farmers who see their grain price decrease due to increased rail rates being charged would receive compensation for any reductions in the Crow benefit payment due to dilution, i.e. if the \$720 million payment reduced from say \$15/tonne to \$10/tonne due to dilution, would they receive another \$5.00/tonne in compensation for the dilution effect.

³ Source: Manitoba Agriculture Yearbook

DILUTION EFFECT ON \$720 MILLION PAYMENT



3.10 Canadian Wheat Board Price Pooling

Any revisions to the Canadian Wheat Board price pooling system could have a dramatic impact on Manitoba grain producers. The costs for transportation (lake freight) and terminal handling from Thunder Bay to Montreal is approximately \$21 per tonne. Under the CWB pooling, all producers selling grain in that pool contribute equally to these costs. Thus, if 60 percent of grain in the pool is exported from the west coast and 40 percent from the east, Manitoba producers only pay 40 percent of the costs. The other 60 percent is paid by all others in the pool.

Based on these assumptions of 60 percent exported from the west coast and \$21.12 in costs after Thunder Bay, a further \$12.67 per tonne ($\$21.12 \times .60$) would be deducted from Manitoba producers' grain prices if this change in the CWB price pooling system were to occur.

Manitoba farmers now pay approximately \$8.45 per tonne and this would increase to the full \$21.12 per tonne. Obviously, a \$12.67 per tonne decrease in CWB grain prices, without compensation, would have a dramatic impact in Manitoba.

The net effect of changing the pooling policy would be to restructure transportation rates for western Canadian grain producers, and, specifically, to increase those for Manitoba producers. Given the timely nature of this issue, it is appropriate to analyze the consequences of a change in pooling.

The production shifts that occur from changing CWB price pooling from Vancouver/Thunder Bay to Vancouver/St. Lawrence would most directly affect the board grains. That is, such a change would result in Manitoba producers having to pay higher freight charges to get board grains to export position at the St. Lawrence points than those presently paid to put the same product at Thunder Bay, thereby reducing the farmgate price of board grains.

As described in *Section 10 of Discussion Paper #2*, a market absorption effect would offset some grain price decreases. The additional cost to export wheat would not be absorbed by the marketplace; therefore, the wheat price would drop by the full \$12.67 per tonne. The marketplace could potentially absorb 50 percent of the barley freight cost increase. This impact would be in addition to any impact from a change in the method of payment.

While a revision to CWB pooling policy is a separate decision from a change in the method of payment, Manitoba must ensure that the potential increase in freight costs is reviewed when a change in method of payment is considered.

If the Crow benefit payment to producers were implemented, it must be distributed on the basis of total freight charges to export position which Manitoba producers may face, not just on rail freight costs. Manitoba farmers (or anyone having their grain priced FOB St. Lawrence) must not face the full unsubsidized costs of the seaway while other western grain farmers receive the Crow benefit on all their transportation costs. Also, as west coast terminals cannot handle all exports, it is in the interest of all Canadians to ensure eastern export capacity is utilized.

4.0 IMPACT ANALYSIS SUMMARY

The above Section 3.0 indicates the complexity of the analysis of the impacts of any change in the method of payment. However, in spite of the difficulties, the current federal government review of the WGTA and the related payment options makes it necessary for Manitoba farmers to analyze the alternatives and decide if change should occur. The following outline has been prepared, which in a simple brief form, attempts to provide a framework for analyzing each of the key impacts.

4.1 Framework for Impact Analysis

To assist each farmer in analyzing the impacts of a possible change in the method of payment, the following outline can be utilized together with the supporting notes for each line and with the references to the example shown in Section 3.3.

It should be noted that if pay the producer were implemented, significant change would occur. Those farmers able to adapt to the change will benefit or at least minimize the adverse consequences. However, producers with limited opportunity to adapt to change will face the most difficult challenge. There are a number of factors which could restrict the ability to adapt to change, including age, financial resources, crop or livestock production options, rail line location, and other reasons.

In the following outline, the key issues are identified only, without indication of the size of any benefit or cost. Individual producers will be impacted differently and to varying degrees. Some impacts will be much larger than others, so that one large gain or loss may offset a number of smaller opposite ones. Each farmer must analyze how he will be impacted and then provide his views to his farm organization, or to the Agri-Food Advisory Council.

This issue is of fundamental importance to farmers. Each person has a responsibility to gather information and conduct an individual analysis. The following outline is provided to assist in focusing on the impacts.

Analyzing the Impacts of a Change in the
Method of Payment

- 1.0 Increases in freight rate charged (see note 1, page 19)
Receipt of the Crow benefit Payment (see note 2, page 19)
- 2.0 Shifts in production (3)
- 3.0 Marketing:
 - Shifts (4)
 - Market Absorption (5)
- 4.0 Processing (6)
- 5.0 Transportation/Handling:
 - Regulatory Change, e.g. Commercial Rates (7)
 - Truck vs. Rail (8)
 - Handling Costs/Service (9)
 - Road Costs (10)
- 6.0 Payment Mechanism:
 - Dilution Effect (11)
 - Dilution Compensation (12)
 - Payment Characteristics (13)
- 7.0 Rural Communities (14)
- 8.0 CWB Pooling:
 - Revisions (15)
 - Crow benefit distribution (15)

- Note 1: As presented in the simplified example in Section 3.3 of this paper, the producer could pay all of the WGTA freight rate. However, the magnitude of the increase will depend on regulatory changes and changes that farmers may make to minimize cost increases.
- Note 2: As shown in the simplified example in Section 3.3 of this paper, the Crow benefit payment of \$720 million could offset the increased freight charged to producers. The amount of the offset will depend on such factors as payment mechanisms, dilution compensation, farm location, etc.
- Note 3: As presented in detail in *Discussion Paper #2, Section II*, producers would respond to the new freight rates by making changes which reduce negative impacts. Thus, small "gains" would be made, e.g. some may increase livestock production or sell more grain to crushers to minimize shipping grain at increased rates. Each individual must examine his own production options that exist now or may exist in the future to identify this impact.
- Note 4: If the pay the producer system were introduced, farmers would respond by changing where they market their production in order to reduce the impact of the freight rates and maximize profits, e.g. barley sold to local feedlot rather than exported. Thus, small reductions in the impact would occur, i.e. small "gains."
- Note 5: As described in *pages 58-65 of Discussion Paper #2*, an indirect response to an introduction of pay the producer would be changes in market demand for some grains, as farmgate prices decreased. This indirect response would offset part of the freight rate increase, but only for some crops. Therefore, it is estimated that for some

crops, the price may not drop by the full amount of the increase in the freight rate. Existing purchasers of western Canadian grain may be willing to pay more than the initially decreased price, which offsets or "absorbs" some of the cost increase. The estimate of the amount of cost that may be absorbed is as follows:

	<u>Market "Absorption" %</u>
Wheat	0
Canola	40
Barley	50
Flax	10

From this it can be seen that while a barley producer could see notable "gains" from this effect, the wheat producer would see none. Thus, each individual must examine his individual production options to determine the potential effect.

Referring back to the simple example of pay the producer in Section 3.3, this could show:

• Export grain price	\$100
• Freight (increased by \$14.70)	<u>21</u>
• Grain price (if exported)	<u>79</u>
• Grain price (if fed locally and 50% of \$14.70 was offset due to increased feeding of grain to livestock such that the price only decreased \$7.35)	\$86.35
• Crow benefit payment - still	14.70

Therefore, potential for net gain for barley (not for wheat).

- Note 6: The expansion of the processing sector as a result of increased livestock production and crushing demand could occur if pay the producer were implemented. This would hold significant potential for increased value added economic activity and jobs.
- Note 7: As presented in detail in *Discussion Paper #3, Section II*, if pay the producer were implemented, further indirect change could also occur in the form of cost related rail freight rates. If so, those farmers on lower than average cost lines could see reduced rates and experience a financial gain, but those farmers on higher cost lines would see a further increase in freight rates and experience a financial loss. However, the financial loss would be limited to the rates charged by commercial trucks and farmers would choose not to use a rail line if they could truck the grain cheaper to a lower cost line.
- Note 8: With changes in transportation, more trucking would be used for any distance that was lower cost than rail. Thus, some farmers on higher cost lines would see their freight rate decrease based on trucking to the nearest lower cost line. Thus, some producers would see small gains while others would face increased costs and experience losses.
- Note 9: If pay the producer were implemented, the rate of elevator rationalization will likely increase. This may lead to reduced handling tariffs (reduced costs) for some farmers, as discussed in *Discussion Paper #3, Section II, pages 61-77*. However, some farmers will be required to haul longer distances thus increasing their costs, so each individual must analyze his own situation and the impact of a change.

- Note 10: As described in *Discussion Paper #3, Section II, pages 83-89*, the impact on road costs will vary widely, in some cases being minimal and in others potentially being significant. Each farmer must examine his own local situation and examine the likely impact on the provincial and municipal road system.
- Note 11: The impact of dilution is discussed in the previous Section 3.9.2 of this paper. The impact will depend on how the payment mechanism is designed, as described in *Discussion Paper #2, Section I*. If a payment design creates dilution, the impact will vary with every farmer, as described in detail on *pages 18-20 of Discussion Paper #2*. Some will "gain" by the amount, others "lose."
- Note 12: If compensation were paid for the dilution effect, as described in the last paragraph of Section 3.9.1 of this paper, then there is the opportunity for all farmers to gain.
- Note 13: The size and length of payment will determine the positive or negative financial impact. As shown on *pages 3-10 of Discussion Paper #2*, many characteristics are involved in determining the effect a payment will have. Each farmer must decide the best type of payment, and then decide if such a payment would be an improvement over the present WGTA.
- Note 14: The impact on rural communities will vary considerably. For most, it will be negative; for some, it may add processing sector jobs or jobs related to increased trucking or livestock.

Note 15: Possible changes to the CWB price pooling system would have a negative impact on all Manitoba grain producers. Therefore, if any distribution of the \$720 million Crow benefit is going to be determined, Manitoba producers must ensure it will cover any increased freight charges due to any future revisions to the CWB pooling.

5.0 WHERE TO FROM HERE?

Any decision to change the method of payment or retain the status quo will affect every farmer in Manitoba.

All farmers including livestock producers, and agri-food related businesses should become involved in the decision-making process.

The Honourable Donald Mazankowski, the federal minister of agriculture, has announced that a review of policies and issues relating to agricultural transportation programs will be part of the overall review of agriculture policy.

As an early step in the process, the federal and provincial deputy ministers were asked by their ministers to develop a paper examining three agricultural transportation programs -- WGTA, Feed Freight Assistance and minimum compensatory rates for canola products.

This paper was tabled at the National Agri-food Policy Conference in December, 1989. It outlined the consensus reached on the economic impacts of these programs and suggested some alternatives to be considered.

Building on the various reports completed to date and input from the Policy Conference, Mr. Mazankowski has announced a Transportation Committee headed by Mr. George Leith, former chief commissioner of the Canadian Grain Commission. This government (federal and provincial) -- industry committee is mandated to review the issues and examine options for changes to current programs and their implications. The committee was not asked to seek a consensus on a particular option. This committee is to have a report prepared for the Ministers' Conference in August. The federal government is expected to conduct a process for broader consultation sectors in the fall.

The Manitoba Agri-food Advisory Council was appointed by the Honourable Glen M. Findlay in May, 1989 to recommend and oversee research, obtain public input and recommendations for policy action. The Council contracted with Deloitte & Touche to undertake research on the method of payment question.

This discussion paper represents the fourth in a series which summarizes the research done by Deloitte & Touche. The Council also sponsored a series of country meetings to have the consultant review these discussion papers and respond to any questions. An insert summarizing the material presented at these meetings was included in the April 5th edition of *The Manitoba Co-operator*.

The Council would appreciate receiving further public input and would encourage you to present your views through your local organization.

To date no decision has been made and no position has been taken by Manitoba.

The council anticipates that it will be making recommendations to Mr. Findlay later in the year based on its research and public input received. These recommendations will be considered by the province when developing a Manitoba position on the Crow benefit payment.